OFFICE OF THE

JOBS AND TIMBER ACCORD ADVOCATE

1999/2000

ANNUAL REPORT

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MESSAGE FROM THE BOARD

Forests define British Columbia and its economy, creating incomes for individuals, wealth for communities and significant revenues for governments. In recent years, however, the forest industry has had to confront both a cyclical decline in demand for its products and structural changes which have created long-term uncertainties.

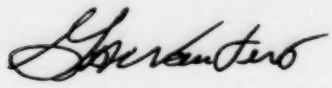
Concerned about the future well-being of British Columbia's dominant industry in an evolving international economy, in June 1997 the provincial government and the forest industry set out a strategy to expand and diversify the forest sector. This four-year program of initiatives was named the Jobs and Timber Accord. In September 1997, the government and B.C.'s value-added sector agreed on an implementation strategy to help expand production in that sector.

During the past year the Accord office worked with industry and government to address both short- and long-term issues facing the forest sector. This report provides details on the implementation to date of the specific Accord initiatives and outlines the role of the Advocate's office in efforts to improve the overall competitive position of the B.C. forest industry.

In July 1999, the Minister of Forests instructed the Jobs and Timber Accord Advocate to undertake a review of provincial forest policy. This activity engaged the Advocate and his staff for much of the last quarter of calendar 1999 and the first three months of 2000. While employment of the Advocate and his office in a formal policy review was unanticipated when the Jobs and Timber Accord was announced in June, 1997, the activity in which he engaged clearly embraced the spirit of the Accord in that it sought to identify future policy directions for government that would help revitalize the industry for the long term.

The Forest Policy Review included extensive public consultations. In his report to the Minister, the Advocate put forward a set of policy recommendations to address key issues facing forest companies, workers and communities. These recommendations are currently being reviewed by government, industry and other stakeholder groups.

The Management Board is pleased to present the following progress report on the Jobs and Timber Accord.



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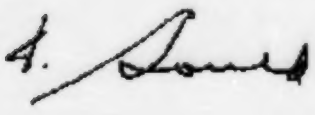
Jobs and Timber Accord Advocate

Duncan Davies
President & Chief Executive Officer
International Forest Products Limited



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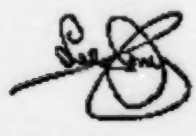

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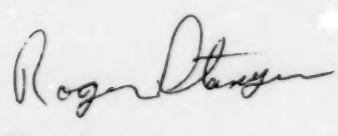

Roger Stanyer
Chair & Chief Executive Officer
Forest Renewal BC

Vancouver, B.C.

September 2000

THE JOBS AND TIMBER ACCORD

A Partnership

The Jobs and Timber Accord is a partnership between the B.C. forest industry and the provincial government. In the year leading up to the announcement of the Jobs and Timber Accord on June 19, 1997, planning discussions and consultations took place with large and small forest businesses, workers, environmental groups, and community leaders throughout British Columbia.

General Principles

Under the Accord, industry and government agreed to the following general principles:

- That government and industry recognize each other's objectives, responsibilities, strengths and capabilities.

- That the partners to the Accord are committed to the principles of environmental sustainability, and no aspect of the Accord will undermine compliance with environmental standards.

- That any plans, strategies or initiatives agreed to under the Accord must be workable, practical and feasible for industry and government.

- That the forest industry needs to be globally competitive, recognizing the imperatives of a highly competitive marketplace. The industry needs the opportunity to realize an adequate economic return to ensure ongoing and improved capital investments, expansion, and maintenance of jobs.

- That the most important factors in sustaining and creating forestry jobs are investments to increase the growth, yield and value of available timber, and the value added to that timber.

- That increasing the lumber supply for the remanufacturing sector is a prerequisite for the sector to maintain and create jobs.

- That a commitment to the goals, objectives and programs of Forest Renewal BC is essential to achieve the outcomes of the Accord, including effective delivery of funds and programs.

- That government and industry recognize that alternative work arrangements may provide opportunities for increased employment.

Nineteen major licensees participated in the development of the Jobs and Timber Accord. Since then the industry partners have been reduced to 17 with the takeover of MacMillan Bloedel Ltd. by Weyerhaeuser Canada Ltd. and Northwood Pulp and Timber by Canfor Corporation.

Accord Industry Partners – Major Licensees

- Ainsworth Lumber Co. Ltd.
- Canfor Corporation
- Crestbrook Forest Industries Ltd.
- Doman Forest Products Ltd.
- Dunkley Lumber Ltd.
- International Forest Products Limited
- Lignum Ltd.
- Pope & Talbot Ltd.
- Riverside Forest Products Limited
- Skeena Cellulose Ltd.
- Slocan Group
- The Pas Lumber Company Ltd.
- TimberWest Forest Ltd.
- Tolko Industries Ltd.
- Weldwood of Canada Ltd.
- West Fraser Group
- Weyerhaeuser Canada Ltd.

OFFICE OF THE JOBS AND TIMBER ACCORD ADVOCATE

The Office of the Jobs and Timber Accord Advocate was created on April 1, 1998 in Vancouver. It has a staff of four, including the Advocate. The office also uses the services of contractors for special projects.

The Advocate works with and for both partners to the Accord, and therefore reports to representatives of both through a five-person management board. The Advocate chairs the Management Board, which is made up of two members nominated by government, and two nominated by industry. The board ensures that operating activities are carried out efficiently and effectively.

Mandate

The mandate of the Office of the Jobs and Timber Accord has three principal components:

- to monitor the state of the B.C. forest sector,
- to monitor the progress of Accord initiatives and, where necessary, recommend remedial action, and
- to make recommendations to improve the overall competitiveness of the B.C. forest industry.

Accord Office Activities

Key activities undertaken by the Office include:

- assessing the implementation of Accord initiatives,
- in cooperation with industry, government and other stakeholders, evaluating the key factors affecting the forest industry and providing

support to the development of the Forest Action Plan, a two-part strategy to stabilize and modernize B.C.'s forest sector,

- in cooperation with the Ministry of Forests and the Job Protection Commission, working with industry, government, workers and communities in a number of mill closure situations,

- conducting the Forest Policy Review in support of a long-term forest sector strategy, and

- reviewing findings of the Forest Policy Review with the public, government, industry and other stakeholders.

STATE OF THE B.C. FOREST SECTOR

Over the past year, the Office of the Jobs and Timber Accord Advocate has monitored the state of the British Columbia forest sector and taken action in a number of areas to help improve the overall competitiveness of the provincial forest industry.

Overview

British Columbia's prosperity rests to a large degree on the fortunes of the forest industry. The $15.5 billion in exports in 1999 from the forest industry represents more than half of the province's merchandise exports.

While the Coastal industry still faces difficulties, many companies have recovered from the economic downturn that gripped the industry in 1997-1998. Employment levels have returned to those of the mid-1990s and the industry earned $923 million in 1999 compared to a loss of $1.1 billion in 1998.

The Advocate's office has worked with government and industry in reducing costs, thus assisting the return to profitability and higher employment. Industry, its workers and their communities – as well as government – all derived benefit from the economic turnaround. Continued growth in the sector will depend on the ability of industry and government to confront long-term structural issues.

Markets

The following tables show improvements in forest product exports and prices from 1998 to 1999.

BC Forest Product Exports	1995	1996	1997	1998	1999
			$ millions		
Total exports[1]	17,010	15,101	14,798	13,462	15,535
U.S.A.	8,354	8,401	8,533	8,445	9,973
Japan	4,111	3,657	3,271	2,342	2,651

Prices	1995	1996	1997	1998	1999
SPF[2] 2x4s (U.S.$/Mfbm[3])[4]	$251	$351	$352	$286	$342
Hemlock baby squares (U.S.$/Mfbm)	862	796	819	554	586
Softwood Pulp[5] (U.S.$/tonne)[6]	883	595	567	514	524
Newsprint[5] (U.S.$/tonne)[7]	674	649	560	595	513

[1] Source: BC Stats

[2] Spruce-pine-fir

[3] Thousand board feet

[4] Source: *Madison's Lumber Reporter*

[5] Source: *Pulp and Paper Week*

[6] Delivered to Northern Europe.

[7] Delivered to U.S. West Coast.

Harvest levels

Resurgent market demand for the province's forest products in 1999 saw B.C.'s timber harvest return to pre-downturn levels. The timber harvest increased to 76.0 million cubic meters (m^3) from 65.0 million m^3 in the previous year.

	1995	1996	1997	1998	1999
	million cubic meters (m^3)				
BC Timber Harvest	76.5	75.2	68.6	65.0	76.0

Employment

Statistics Canada's Survey of Employment, Payroll and Hours reported employment in B.C.'s forestry sector in March 2000 as 86,400, a net increase of 200 workers measured against the March 1996 Accord baseline of 86,200. Employment statistics for March 2000 show a significant improvement in forest sector employment compared to the previous two years.

Date	Employment	Year-to-Year Change	Difference Compared to March 1996
March 1996	86,200	–	–
March 1997	85,100	-1,100	-1,100
March 1998	78,000	-7,100	-8,200
March 1999	78,700	+700	-7,500
March 2000	86,400	+7,700	+200

Source: Statistics Canada

The base date of March 1996, as agreed to by the Accord partners, provides one means of tracking overall forest-sector employment. Job change as specifically related to the Accord initiatives is also tracked, as agreed to by industry and government (see Appendix 1).

PROGRESS ON ACCORD INITIATIVES IN 1999/2000

Over the past year, the Office of the Jobs and Timber Accord Advocate has, as mandated, monitored the implementation of the Accord initiatives. The Accord is evolving over time, as government and industry implement the initiatives and deal with changing market conditions.

Accord Objectives

The Accord was founded on three key objectives:

- increase access to timber,
- increase investment in manufacturing and forest management, and
- increase employment opportunities in B.C.'s forest sector.

Taken together, the initiatives are designed to create sustainable community-based jobs by supporting the development of an internationally competitive industry and a productive land base.

Details are included below, organized under four themes:

One: Supporting the Harvest of More Trees within the Existing AAC
Two: Increasing Value-added Activities
Three: Investing in Forest Lands
Four: Investing in Business and Sustaining Employment

Initiatives

One: Supporting the Harvest of More Trees within the Existing AAC

- increase standing timber inventories (STI)
- increase harvest levels of major licensees
- increase sales to small business
- examine growth and yield assumptions
- ensure that the allowable annual cut (AAC) can be spatially demonstrated

Goal: *To achieve standing timber inventory (STI) targets sought by each licensee to reach two years of STI by March 31, 1999 and maintain those levels.*

Standing Timber Inventory (STI)

Standing timber inventory refers to the volume of timber that is fully available to harvest. STI is generally accepted as providing licensees with needed flexibility to respond to changing market and operational conditions.

To implement this initiative, the Ministry of Forests has met with individual licensees since the Accord announcement in 1997, to identify their STI needs and establish individual targets. Many licensees have identified that two years of STI was not required or even preferred.

The Ministry of Forests and industry have now realized 93 per cent of the agreed-upon targets, as outlined in fibre flow performance agreements established between licensees and the ministry. The volume under permit is 72.4 million cubic metres (m^3). On a provincial basis, this represents an STI achievement as of March 31, 2000 of 1.4 years of approved cutting permits.

Goal: *To increase major licensee harvest volumes toward the allowable annual cut (AAC) by 3 million m^3 by 1999/2000. This will create 3,900 jobs.*

Major Licensee Harvest Levels

Under the Accord, forest companies and government agreed to work together to close the gap between major licensee harvest levels and the AAC. Comparing 1999 to 1995, the year prior to the Accord, there has been no reduction in the gap for the 17 reporting companies. This reflects the fact that market conditions remained difficult on the Coast.

AAC/Harvest of the 17 Reporting Companies

	AAC	Harvest
1995	43,258,608	42,891,702
1996	43,747,422	43,768,552
1997	45,153,679	39,434,742
1998	46,330,593	37,731,314
1999	45,863,512	43,920,963

Small Business Sales

Goal: *To create 1,500 jobs by tendering the full harvest of the SBFEP apportionment.*

A major small business goal identified in the Accord and the Letter of Agreement between government and independent remanufacturers was to make available for sale the full annual Small Business Forest Enterprise Program (SBFEP) apportionment. This goal has been accomplished.

During the five-year period prior to the Accord, the SBFEP sold an average of 8.5 million m^3, although approximately 9.6 million m^3 were available during that period. (Since then, the program apportionment has declined slightly, to about 9.5 million m^3.)

During 1999/2000, in the regular program, a total of 10.5 million m^3, or about 1.0 million m^3 more than the program apportionment, was sold. The overall increase in regular program sales provided sufficient new timber to generate an estimated 3,000 jobs.

Accord Partners – Small-Business Remanufacturers

- Central Interior Wood Processors Association
- Independent Lumber Remanufacturers Association
- Interior Value-Added Wood Association
- Log Home Builders Association
- Vancouver Island Association of Wood Processors

Goal: *To take action toward the objective of increasing timber supply over the long term, through reviewing determinants such as growth and yield assumptions, and investments aimed at increasing the growth, yield and value of available timber.*

Growth and Yield

As noted in last year's annual report, the Old-Growth Site Index Adjustment Project (begun in 1994 with $6.4 million funding from Forest Renewal BC) indicated that B.C.'s second-growth forests are growing some 30 per cent faster and reaching harvestable size decades earlier than previously estimated. Over time, these results will have a significant impact on B.C.'s overall long-term timber supply projections.

Goal: *To monitor forest management policy reflected in the Protected Area Strategy, land-use plans, and First Nations deferrals to ensure that the AAC can be spatially demonstrated.*

Spatial Demonstration of the AAC

The government is monitoring forest management policy to ensure that timber targets are realistic, and that the AAC can be spatially demonstrated. ("Spatial data" refers to the geographic location of a forest stand within a Geographic Information Systems [GIS] database at a specific time. It is important to spatially demonstrate where harvesting will take place or has taken place over time, to recognize conflicts with other resource values or code requirements, such as visual green-up of a harvested block prior to harvesting an adjacent block.) Multiple projects across the province, which are being undertaken by industry and government both separately and jointly, involve spatially demonstrating where harvesting will take place.

Two: Increasing Value-added Activities

Initiatives

- transfer additional fibre from major licensees to independent value-added processors
- reapportion timber within the Small Business Forest Enterprise Program (SBFEP)
- increase fibre opportunities for shake and shingle producers.

Wood Fibre Transfer Program

Goal: *To create 3,100 jobs through the transfer of an additional 700 million board feet of sawn lumber from major licensees to independent value-added processors*

The 17 major licensees with replaceable licences which participated in the development of the Accord committed to making available for purchase an overall percentage of sawn lumber – 18 per cent on the Coast and 16 per cent in the Interior – to the remanufacturing sector at competitive prices. All internal value-added and remanufacturing activities by tenure holders at the time the Accord was announced (i.e., June 19, 1997), would be recognized as counting toward those targets.

In the fiscal year ending March 31, 2000, the 17 major licensees reported that 20.5 per cent of their Coastal AAC was either sold to value-added processors, or used in internal remanufacturing, which includes custom processing by independent processors. The corresponding figure for the Interior companies was 18.6 per cent.

The 17 major licensees reported that the volume of sawn lumber transferred to independent value-added processors increased from the base year ending March 31, 1996 by 558 million board feet for the year ending March 31, 2000, up 173 million board feet from the previous year. The companies reported a reduction of 53 million board feet used in internal remanufacturing. The net increase of 505 million board feet created an estimated 2,200 jobs.

While these figures reflect a significant increase in the volume of sawn lumber used for value-added processing since the beginning of the Accord, achieving the 16 per cent and 18 per cent targets did not result in the level of fibre transfer that was originally anticipated.

(For details on the definition of "value-added processing of sawn lumber," see Appendix 1.)

Regional Value-added Facilitators

As part of its overall value-added strategy to strengthen and expand the value-added sector, Forest Renewal BC has continued to support three fibre facilitator positions. These positions are contracted through the Coast Forest

and Lumber Association, the Interior Lumber Manufacturer's Association, and the Northern Forest Products Association in cooperation with Cariboo Lumber Manufacturer's Association.

Forest Renewal has provided three years of funding for these positions. The facilitators' primary objective is to identify the fibre supply requirements of the secondary wood manufacturing industry, and assist in the development of business relationships which lead to an increased volume of fibre transferred between major licensees and secondary manufacturers.

Independent Value-added Manufacturers

Goal: *To create 1,900 jobs by reapportioning timber within the Small Business Forest Enterprise Program (SBFEP) to the remanufacturing portion of the program. To include:*

- *reallocation of 1 million m^3 of SBFEP wood to the bid proposal apportionment,*
- *sale of the majority of SBFEP wood from TFLs as bid proposals, and*
- *sale of the accumulated SBFEP undercut through non-replaceable forest licences or other forms of agreement.*

One of the themes of the Accord was to increase value-added manufacturing in the province. Increased sales to this sector occurred as a result of the following three SBFEP initiatives: re-allocating 1 million m^3 within the SBFEP into bid proposals; selling a majority of SBFEP sales from tree farm licences (TFLs) as bid proposals; and selling the accumulated undersold program volume.

The first two initiatives have increased the target for bid proposal sales, from approximately 2.9 million m^3 (2.6 million in timber supply areas [TSAs] and 0.35 million in TFLs), to 4.4 million m^3 per year (3.6 million in TSAs and 0.8 million in TFLs); an increment of 1.5 million m^3 in all. In fiscal 1999/2000, the program sold 4.1 million m^3 in bid proposals, slightly underselling the bid proposal apportionment of 4.4 million m^3. The shift to bid proposal sales of 1.5 million m^3 – the Accord target volume – provided sufficient timber to generate an estimated 1,500 jobs.

In addition, a plan for selling 2.1 million m^3 of previously undersold SBFEP volumes was developed by the Ministry of Forests. This plan proposed that the volume would be sold over four fiscal years and that harvesting would occur over the next seven years. In 1999/2000, SBFEP targeted sales of approximately 0.6 million m^3, which together with previous undersold volumes provided sufficient timber to generate more than 200,000 m^3 of harvest in 1999/2000, creating an estimated 400 jobs.

Shake and Shingle Producers

Goal: *To increase the volume of fibre available to shake and shingle producers by 250,000 m^3 per year.*

In the Letter of Agreement with independent remanufacturers, the government agreed to increase the volume of fibre available to shake and shingle producers by 1.25 million m^3 over five years (approximately 250,000 m^3 per year). Under the new enhanced bid proposal category in 1998/1999, 290,000 m^3 of fibre went to support the cedar shake and shingle sector. An additional 147,000 m^3 were offered to the sector in 1999/2000. Annual offerings in subsequent years will increase to meet the five year commitment level.

Initiatives

- focus Forest Renewal BC land-based investments through Multi-Year Agreements
- invest in Enhanced Forest Management Pilot Projects
- invest in Innovative Forestry Practices Agreements
- introduce new Community Forests Tenure Pilot Projects

Three: Investing in Forest Lands

Goal: *To improve delivery of funds and programs from Forest Renewal BC, to create at least 5,000 jobs.*

Forest Renewal BC Land-Based Investments: Multi-Year Agreements (MYAs)

Reduced stumpage levels has had a direct impact on the funds available for Forest Renewal BC investments. Consequently, the number of jobs created by FRBC activities has declined.

Under the terms of the Accord, FRBC has committed to invest 70 per cent of its expenditures (up to $300 million a year) in land-based activities. These include enhanced forestry, watershed restoration, backlog silviculture and other related research and programs.

As of March 2000, Forest Renewal had negotiated and provided funding for 79 MYAs throughout the province - including all the major industry licensees. Overall in 1999/2000, Forest Renewal BC's Accord related investments totalled approximately $240 million. These investments created an estimated 3,210 jobs.

FRBC Accord Related Expenditures ($Millions)

	96/97	97/98	98/99	99/2000
Enhanced Forestry	80.5	110.9	53.2	30.1
Backlog	-	49.2	60.4	48.0
Small Woodlands	7.0	3.4	2.9	1.3
Tree Improvement	-	1.9	3.0	4.1
Bridges & Roads	-	20.3	21.4	1.3
Land-based Training	8.4	10.9	2.2	-
Recreation	20.5	30.2	22.1	2.5
Watershed Restoration	86.9	103.3	70.9	45.8
Resource Inventories	81.3	121.0	88.2	56.3
IFPAs/EFMPPs[1]	-	-	13.6	11.7
Research	33.2	34.0	17.6	16.6
Value Added	8.9	17.6	16.6	17.2
Other	8.2	11.7	1.8	-
Total Accord Related Expenditures	334.8	514.4	373.8	234.9
Total Forest Renewal Investments	395.5	596.3	463.2	314.5
% Accord Related Investments	85%	86%	81%	75%
Total Number of Direct Jobs Created	4142	6100	4670	3210

Forest Worker Agency

In accordance with the Jobs and Timber Accord, Forest Renewal established a wholly owned subsidiary company, New Forest Opportunities Ltd., in 1997 to assist displaced forest workers. New Forest acts as the Forest Worker Agency for the coastal region in the province, and registers local and displaced forest workers, provides training as required, and places these individuals on Forest Renewal BC funded projects. In 1999/2000, 945 individuals worked on New Forest projects.

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[1] IFPA=Innovative Forestry Practices Agreements & EFMPP = Enhanced Forest Management Pilot Projects

Enhanced Forest Management Pilot Projects (EFMPPs)

Goal: *For government to enter into Enhanced Forest Management Pilot Projects to test new and innovative forestry practices.*

Work began in September 1995 to increase forest productivity within the parameters of existing land use plans and the Forest Practices Code. Pilots empower forest managers to: (a) develop dynamic local forest management strategies emphasizing increased timber production in suitable zones; (b) explore biological effectiveness and economic efficiency of different enhanced forest management activities; and (c) transfer knowledge and technology to others. The pilots, coordinated by the Ministry of Forests and funded by Forest Renewal BC comprise:

- Invermere Timber Supply Area (TSA). The pilot works within the land use objectives of the Kootenay-Boundary Land Use Plan as it completes and implements a series of projects such as an ecosystem restoration plan for fire-maintained ecosystems in the Rocky Mountain Trench.

- Weyerhaeuser TFL 39 (Blk 2). The pilot was started in April 1996 to bridge the transition from forest management practices reflecting historic social values to desired future forest conditions, with minimal impact to local communities and the provincial economy. Current projects include riparian restoration, development of spatial analytical tools and monitoring methods for forest structure and key old growth processes.

- Babine Forest Products pilot which was started in 1997 within the Lakes TSA. Objectives include increasing site productivity, (that should maintain or lead to increases in long term timber supply), plus testing new and innovative forest management strategies.

- The Robson Valley project. Begun in early 1999, the pilot includes three biogeoclimatic subzones. It is adjacent to one national and several provincial parks. Plans include projects designed to address landscape-level biodiversity and conservation values.

Goal: *For government to enter into innovative forestry practices agreements to increase forest productivity while protecting environmental values.*

Innovative Forestry Practices Agreements (IFPAs)

Six IFPA pilots are now approved. Through IFPA pilots, the Ministry of Forests and the forest industry are exploring ways to improve forest productivity and economic benefits. Forest Renewal BC currently provides the majority of funding for IFPA pilots.

Forestry Plans are required for each IFPA which provide an overall strategic framework and address social and economic issues and environmental benefits. Of the five IFPA pilots with signed agreements, three have approved Forestry Plans.

Innovative Forestry Practices Agreements Pilots:

- Lignum Ltd. – Williams Lake and 100 Mile House Timber Supply Areas (TSAs)
- International Forest Products Limited – Fraser and Kamloops TSAs
- Merritt – all licensees with replaceable tenures in the Merritt TSA – Ardew Wood Products Ltd., Aspen Planers Ltd., Riverside Forest Products Limited., Tolko Industries Ltd. and Weyerhaeuser Canada Ltd.
- Arrow – all licensees with replaceable tenures in the Arrow TSA – Slocan Forest Products Ltd., Riverside Forest Products Limited, Atco Lumber Ltd., Kalesnikoff Lumber Co. Ltd., and Bell Pole Company
- Lakes and Morice – all licensees with replaceable tenures in the Lakes and Morice TSAs – Babine Forest Products Ltd., Babine Timber Ltd. (Decker Lake Forest Products Ltd.), L&M Lumber Ltd., Northwood Inc., and West Fraser Mills Ltd. (Fraser Lake Sawmills Ltd. and Houston Forest Products Co.)
- Vanderhoof District – Prince George TSA – Canadian Forest Products Ltd., West Fraser Mills Ltd. (Fraser Lake Sawmills), L&M Lumber Ltd., Lakeland Mills Ltd., and Plateau Forest Products - Slocan Group

Community Forests

Community Forest Pilot Projects have been introduced by the Ministry of Forests to test a new forest tenure that:

- is area based,
- is designed to support community-based forest management,
- will provide more flexibility around a process for establishing and regulating timber harvesting levels,
- may provide rights to non-timber forest resources in addition to timber, and
- will have a much longer term than other tenures.

The seven selected pilots are:

- Bamfield (Bamfield/Huu-ay-aht Community Forest Society) – 418 hectares of Crown land next to the communities of Bamfield and Ana'cla,
- Fort St. James (District of Fort St. James) – 3,583 hectares of Crown land next to the community of Fort St. James,
- Burns Lake (Village of Burns Lake) – 19,862 hectares of Crown land next to the community of Burns Lake,
- Esketemc (Esketemc First Nation) – 15,000 hectares of Crown land and 2,500 hectares of First Nations reserve land next to the community of Alkali Lake, 50 kilometres south of Williams Lake,
- Comox Valley (North Island Woodlot Corp.) – 715 hectares of Crown land in the Comox Valley, with potential participation from local landowners,
- Queen Charlotte Islands (Islands Community Stability Initiative) – Crown land in the Tlell watershed, and
- Harrop-Procter (Harrop-Procter Community Co-operative Association) – 10,600 hectares of Crown land 30 kilometres northeast of Nelson.

Goal: *To design and pilot at least three community forest tenures, where AAC is available, to allow resource communities and First Nations (including through joint ventures) to participate directly in managing the forest to create sustainable employment.*

Four: Investing in Business and Sustaining Employment

Goal: *To create 2,000 jobs through major licensee investments to improve technology, operations efficiency, and product value.*

Goal: *To achieve alternative work arrangements that result in the creation of 3,000 jobs.*

Initiatives

- increase industry investments
- encourage new work arrangements
- reduce job losses

Industry Initiatives

A major commitment made by forest companies under the Accord was to increase employment by investing in new technology and improving operations.

The 17 major forest companies that are reporting annually on their Accord commitments have reported an increase of more than 800 positions under this initiative. To date, new investments have been made in the areas of forest management, manufacturing, marketing and administration.

Alternative Work Arrangements

This initiative was designed to achieve an increase in employment resulting from alternative work arrangements as negotiated under collective agreements. As an incentive, government would absorb some of the direct payroll costs in the event that industry and unions reduced overtime or altered shift schedules, resulting in an increase in the employment base.

While there was some initial interest in this provision, neither industry nor the respective unions have chosen to access the provision, so there has been no increase in employment as a result. However, there continues to be interest in exploring alternative work arrangements. In November, 1999, the Communications, Energy and Paperworkers Union released the results of a two year study on the relationship between hours of work and job creation in the B.C. Pulp and Paper Industry.

Layoff Procedure/Mill Closure Review Process

Goal: *To explore alternatives to permanent layoffs, and, where layoffs are unavoidable, ensure that appropriate mitigation strategies are developed.*

The Layoff Procedure referred to in the Accord has evolved into a more comprehensive Mill Closure Review Process. The Accord Advocate's Office in cooperation with the Ministry of Forests plays a key role in this initiative by:

- meeting with the company and government, on receiving notice of a permanent mill closure, to identify issues,
- assisting, as required, with reviews of the economic viability of operations,
- in cooperation with the Job Protection Commission, exploring alternatives to maintain viable mill operations,
- working with the Ministry of Forests, the company, workers and the community to identify new opportunities in value-added or existing manufacturing operations if the mill is not viable,
- working with government ministries/agencies and companies to support transition and adjustment services for displaced forest workers, and
- working with the Ministries of Forests and Community Development, Cooperatives and Volunteers, Forest Renewal BC, and communities to ensure that community diversification and adjustment assistance services are provided to forest-dependent communities experiencing substantial job losses.

In the past year, the Accord Office was involved in reviewing the economic viability of the Squamish and Flavelle mills operated by International Forest Products Limited (Interfor).

- In Squamish, a comprehensive economic plan was developed by the Job Protection Commission to restart the mill which had been closed temporarily for almost a year.
- An economic viability review for the Flavelle mill in Port Moody was also undertaken. The mill was sold and is now operated by Mill and Timber Ltd.

A review was also undertaken of the J.S. Jones sawmill at Boston Bar which continues to operate sporadically.

INITIATIVES TO IMPROVE INDUSTRY COMPETITIVENESS

An important component of the Office's mandate, particularly in light of the challenges facing the industry, is to make recommendations to improve the competitive position of the B.C. forest sector. The Office of the Jobs and Timber Accord Advocate has worked with the Accord partners – industry and government – and other stakeholders to identify new solutions and opportunities.

In November 1998, with the support of forest companies, communities and workers, the provincial government announced a two-part strategy to stabilize and modernize B.C.'s forest sector. The short-term stabilization initiatives of the Forest Action Plan provided cost and price benefits to forest companies, as well as transition support for communities and workers facing significant transition. The second part of the strategy involved a major review of B.C. forest policy to address longer-term issues facing the industry.

Forest Policy Review

The Forest Policy Review, conducted by the Advocate and his staff, is fully documented in a report entitled "Shaping Our Future" submitted to the Minister of Forests in March, 2000. The report has been widely distributed and is available on-line at http://www.for.gov.bc.ca/pab/review/index.htm.

APPENDICES

Appendix 1: Definitions and Methodology

Definitions

Jobs

The Accord specifies that a **job** will be measured in terms of person-years of employment. One person-year is defined as:

- a minimum of 180 days and/or 1,440 hours per year of logging, silviculture and other forest field work, unless the traditional operating season in the region is shorter, and
- 220 days for all other forest sector workers.

Value-added

Value-added processing of sawn lumber is the further processing of sawn lumber – produced from primary manufacturing processes – which results in a finished product or an intermediate product that will be ultimately incorporated into a finished product. Examples of sawn lumber subjected to further processing are window frames, engineered building products, siding, panelling, pallets, millwork, furniture, doors and cabinets.

Note: This definition was included in the reporting guidelines to companies, and follow-up discussions were held to ensure consistency of application.

Monitoring and Reporting

The Office of the Jobs and Timber Accord Advocate worked with an industry/government advisory group to establish processes for monitoring the Accord initiatives. That group has also developed a number of reporting guidelines.

Each year, on or before May 31, the 17 major licensees that participated in the development of the Accord are required to submit an Accord Operating

Plan, along with a statistical report for the year ended March 31, to the Accord Office. In some instances, however, it is more convenient for companies to provide data on a different fiscal year basis. When this is done the data provided has been used as the estimates for the April 1 - March 31 period.

Forest Renewal BC and the Ministry of Forests also submit information to the Accord Office on their Accord-related activities.

Job Targets

Several Accord initiatives have specific job targets (see below). These initiatives focus on creating employment through:

- increasing harvest levels of major licensees (i.e., closing the gap),
- increasing timber sales to small business,
- increasing transfers of sawn lumber from major licensees to independent value-added manufacturers (i.e., Wood Fibre Transfer Program),
- increasing timber sales to the value-added sector,
- increasing spending on Forest Renewal BC land-based activities,
- increasing the investments made by forest companies, and
- implementing alternative work arrangements.

- **3,900 jobs – Closing the Gap**

  The total harvest volume of the major licensees has typically been less than their allowable annual cut (AAC). The Accord established, as a target, closing the gap by 3 million m^3. The job creation potential was projected to be 3,900 jobs (1.3 jobs per 1,000 m^3).

  Process: The Accord Office tracks changes in the total harvest of the 17 major licensees that participated in the development of the Accord. The number of jobs created is estimated by using the 1.3-jobs-per-1,000-m^3 multiplier, and the reduction in the gap between the AAC and total harvest of the 17 reporting companies.

- **1,500 jobs – Small Business Sales**

  By selling the full apportionment of the Small Business Forest Enterprise Program, it was projected that an additional 1,500 jobs could be created.

  Process: The Accord Office obtains data from the Ministry of Forests on sales to the small business sector and job creation estimates for this initiative. Conversion factors (see note, below) are used to translate volumes into job estimates.

- **3,100 jobs – Wood Fibre Transfer Program**

  By increasing the transfer of sawn lumber from major licensees to independent value-added manufacturers by 700 million board feet (i.e., approximately 3.1 million m^3, using a conversion factor of 225 board feet = 1 m^3), the number of jobs that would be created was projected to be 3,100 (i.e., approximately one job for each 1,000 m^3 of wood that is used in value-added processing). The one-job-per-1,000-m^3 multiplier was chosen after reviewing a number of research studies on job creation in the value-added sector. It should also be noted that it was expected that the 16 per cent and 18 per cent targets referred to in the Accord would achieve the transfer of the additional 700 million board feet of lumber.

  Process: The Accord Office tracks this initiative by collecting data on the volume of sawn lumber that the 17 major forest companies sell to independent value-added manufacturers and use in their internal operations (including work done by custom processors). The number of jobs created will be estimated using the one-job-per-1,000-m^3 multiplier and the increase in the annual volumes reported, compared to the corresponding volumes prior to the Accord.

- **1,900 jobs – Other Value-Added Initiatives**

  By reapportioning timber within the Small Business Forest Enterprise Program, and by selling the accumulated undersold volumes, it was projected that an additional 1,900 jobs could be created in the value-added sector.

Process: The Accord Office obtains data from the Ministry of Forests on Small Business sales of "undersold" volumes to the value-added sector, volume transfers within the program, and job-creation estimates for the initiatives. Conversion factors (see note, below) are used to translate volumes into job estimates.

- **5,000 jobs – Forest Renewal BC**

  Forest Renewal BC committed to create an additional 5,000 person-years of work through increased spending on land-based projects and a variety of other initiatives.

  Process: The Accord Office obtains information from Forest Renewal BC on its Accord-related activities, including an estimate of the number of person-years of employment created as a result of those activities.

- **2,000 jobs – Industry Initiatives**

  The 17 major forest companies have committed to creating 2,000 new jobs through investments to improve technology, operations efficiency, and product value.

  Process: The Accord Office collects data annually from the 17 major licensees on the number of person-years of employment associated with new investments made since the announcement of the Accord on June 19, 1997.

- **3,000 jobs – Alternative Work Arrangements**

  A projected 3,000 jobs could be created by negotiating and implementing new work arrangements through collective agreements.

  Process: The Accord Office collects data annually from the 17 major licensees on the number of person-years of employment created by new work arrangements.

Note on Employment Multipliers for Small Business and value-added job estimates

The following factors have been used to develop the job estimates above:

- harvesting: 0.34 jobs per 1,000 m^3 harvested
- primary processing: 0.56 jobs per 1,000 m^3 processed
- manufacturing: 1.0 jobs per 1,000 m^3 processed

OFFICE OF THE JOBS AND TIMBER ACCORD ADVOCATE INC.

Financial Statements
March 31, 2000

OFFICE OF THE JOBS AND TIMBER ACCORD ADVOCATE INC.

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OFFICE OF THE JOBS AND TIMBER ACCORD ADVOCATE INC.

MANAGEMENT REPORT

The accompanying financial statements of the Office of the Jobs and Timber Accord Advocate Inc. for the year ended March 31, 2000, have been prepared by management in accordance with generally accepted accounting principles. These financial statements present fairly the financial position of the Company as at March 31, 2000 and the results of operations for the year then ended.

Management is responsible for the preparation of the financial statements and has established a system of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and financial records provide reliable information for the preparation of financial statements.

The Auditor General of British Columbia has performed an independent audit of the financial statements of the Office of the Jobs and Timber Accord Advocate Inc. The Auditor's report outlines the scope of his examination and expresses an opinion on the statements.

Garry Wouters
Jobs and Timber Accord Advocate

Report of the Auditor General of British Columbia

To the Shareholder of the Office of the Jobs & Timber Accord Advocate Inc.:

I have audited the balance sheet of the *Office of the Jobs & Timber Accord Advocate Inc.* as at March 31, 2000 and the statements of operations and surplus and of cash flow for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *Office of the Jobs & Timber Accord Advocate Inc.* as at March 31, 2000 and the results of its operations and cash flow for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Wayne Strelioff

Victoria, British Columbia
June 21, 2000

Wayne Strelioff, CA
Auditor General

OFFICE OF THE JOBS AND TIMBER ACCORD ADVOCATE INC.

BALANCE SHEET

March 31,	2000	1999
	$	$
ASSETS		
Current assets		
Cash	**73,596**	946
Due from Forest Renewal BC	**54,014**	-
Due from Province of British Columbia	**709**	500,000
Accounts receivable	**21,478**	296
Prepaid expenses	**6,813**	2,412
	156,610	503,654
Capital assets (note 4)	**4,762**	7,769
	161,372	511,423
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**43,851**	242,869
Due to Forest Renewal BC	**-**	245,000
	43,851	487,869
Shareholder's equity		
Share capital	**1**	1
Surplus	**117,520**	23,553
	117,521	23,554
	161,372	511,423

Approved by the Board of Directors:

Director

Director

The accompanying notes are an integral part of these financial statements.

OFFICE OF THE JOBS AND TIMBER ACCORD ADVOCATE INC.

STATEMENT OF OPERATIONS AND SURPLUS

Year Ended March 31,	2000	1999
	$	$
REVENUES		
Forest Renewal BC	**591,200**	500,000
Province of British Columbia	**890,651**	500,000
Council of Forest Industries	**53,000**	53,000
Miscellaneous revenue	**10,448**	4,474
	1,545,299	1,057,474
EXPENSES		
General administration (note 5)	**256,396**	178,448
Professional services	**821,974**	451,615
Salaries, wages and benefits	**372,962**	403,858
	1,451,332	1,033,921
EXCESS OF REVENUES OVER EXPENSES	**93,967**	23,553
Surplus, beginning of year	**23,553**	-
SURPLUS, END OF YEAR	**117,520**	23,553

The accompanying notes are an integral part of these financial statements.

OFFICE OF THE JOBS AND TIMBER ACCORD ADVOCATE INC.

STATEMENT OF CASH FLOWS

Year Ended March 31,	2000	1999
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from Forest Renewal BC	**292,186**	745,000
Cash receipts from Province of British Columbia	**1,389,942**	-
Cash receipts from customers	**34,522**	55,700
Cash paid to suppliers	**(1,651,744)**	(790,456)
Interest received	**7,744**	1,478
Cash flows from operating activities	**72,650**	11,722
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of capital assets	**-**	(10,777)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	**-**	1
NET INCREASE IN CASH		946
CASH AT THE BEGINNING OF PERIOD	**946**	-
CASH AT THE END OF PERIOD	**73,596**	946

The accompanying notes are an integral part of these financial statements.

OFFICE OF THE JOBS AND TIMBER ACCORD ADVOCATE INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended March 31, 2000

1. THE COMPANY

The Office of the Jobs and Timber Accord Advocate Inc. is a wholly owned subsidiary of Forest Renewal BC. It was incorporated as 561763 B.C. Ltd. under the Company Act of British Columbia on March 24, 1998 and began operations April 1, 1998. The name was changed on May 26, 1998 to Office of the Jobs and Timber Accord Advocate Inc.

The purpose of the Office of the Jobs and Timber Accord Advocate Inc. is to monitor the effectiveness of the Jobs and Timber Accord and ensure its timely implementation, monitor ongoing efforts to maintain and increase the employment base of the B.C. forest industry, and enforce the provisions of the accord to ensure a high degree of compliance.

The Office of the Jobs and Timber Accord Advocate Inc. is not subject to federal and provincial income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial statements of the company are prepared in accordance with generally accepted accounting principles.

Capital assets are recorded at cost and are amortized on a straight line basis over their estimated useful lives as follows:

Leasehold improvements	over the term of the lease

3. RELATED PARTY TRANSACTIONS

The company is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Significant related party transactions are detailed below:

(a) Office facilities have been leased, and tenant improvements are managed through the British Columbia Buildings Corporation (BCBC). Total payments for the year ended March 31, 2000 were $79,212.00 (March 31, 1999 - 94,359.00).

OFFICE OF THE JOBS AND TIMBER ACCORD ADVOCATE INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended March 31, 2000

3. RELATED PARTY TRANSACTIONS (continued)

(b) Professional services expenses include a $45,000 administration fee payable to Forest Renewal BC to cover desktop systems, accounting operations, payroll and leave management, personnel services and facilities.

4. CAPITAL ASSETS

	2000			1999
	Cost	Accumulated amortization	Net book Value	Net book Value
	$	$	$	$
Leasehold improvements	10,777	6,015	4,762	7,769

5. GENERAL ADMINISTRATION EXPENSES

	2000	1999
	$	$
Amortization expense	3,007	3,008
Building occupancy	79,212	83,581
Furniture and equipment	1,873	12,938
General office	146,331	43,164
Travel	25,973	35,757
	256,396	178,448

6. PENSION PLAN

The Office of the Jobs and Timber Accord Advocate Inc. and its employees contribute to the Public Service Pension Plan in accordance with the Pension (Public Service) Act. The Superannuation Commission of the Province of British Columbia administers the Plan, including the payment of pension benefits on behalf of employers and employees to whom the Act applies. The Plan is a defined benefit pension plan. The Province of British Columbia has statutory responsibility for the unfunded liability.

The most recent actuarial valuation (March 31, 1999) has determined the plan is in a surplus position. As a result of the valuation, the Superannuation Commission has refunded a portion of the Company's employer contributions of $10,851.00 which was credited to salaries and wages during the year.

OFFICE OF THE JOBS AND TIMBER ACCORD ADVOCATE INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended March 31, 2000

7. COMMITMENTS

(a) The Office of the Jobs and Timber Accord Advocate Inc. has entered into a facilities lease for office space in Vancouver expiring on February 28, 2002. Future minimum payments under this lease are as follows:

Fiscal Year	$
2001	80,119
2002	74,305
	154,424

(b) At March 31, 2000 the Office of the Jobs and Timber Accord Advocate Inc. had a contracted commitment to March 31, 2003 as follows:

Fiscal Year	$
2001	137,000
2002	137,000
2003	137,000
	411,000